

CHAPTER 6. DSHS-SUBSIDIZED CHILDREN

Where Subsidized Children Received Care

An estimated 67,000 children per month received subsidized care in State Fiscal Year 2004 (Social Service Payment System, unpublished). Over the course of federal fiscal year 2004 child care was subsidized for 118,300 children (Federal Report ACF-800), almost twice the monthly number of children. Children received subsidized care in a variety of ways, either in licensed centers and family homes, or from unregulated but legal providers.

The surveys of child care centers and homes were conducted mostly in February through April of 2004. According to DSHS payment records, about 65,000 children on average received subsidized care in those months. Approximately 20 percent received care in unregulated settings, namely in a child's home or at the home of a relative. The remaining 80 percent, or about 52,200 children, received care in licensed child care settings (child care centers or licensed family homes).

Using data from the 2004 surveys of child care centers and licensed family homes, we estimated that 51,130 children received subsidized child care in either a licensed family home or child care center at the time of the survey. This is slightly lower than the estimate using DSHS payment data. The discrepancy likely derives both from sampling error and because providers were asked to describe enrollment for a single week.

At the time of the 2004 surveys, almost one third of all children in licensed care were subsidized by DSHS. Licensed family home providers cared for 17,040 DSHS-subsidized children, representing 36 percent of all children in licensed family home child care. Child care centers cared for about 34,090 DSHS-subsidized children, 29 percent of all children in centers. DSHS children were widely spread over 87 percent of centers and 66 percent of family homes (see Table 32).

Table 32. DSHS Children in Centers and Family Homes, 2004

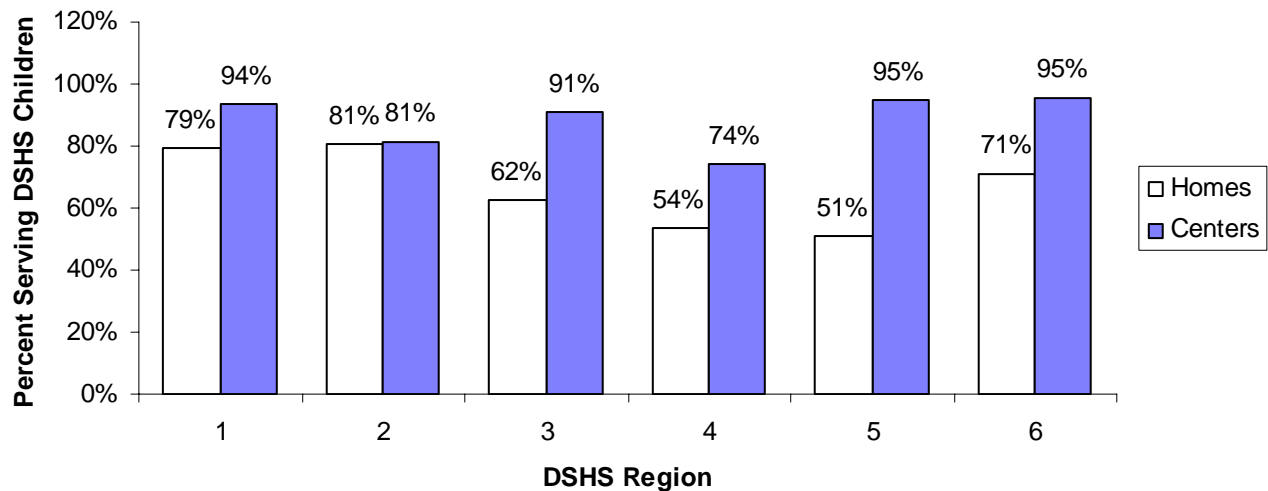
<u>DSHS Children</u>	<u>Centers</u>	<u>Family Homes</u>	<u>All Licensed Facilities</u>
Estimated Total	34,090	17,040	51,130
As Percent of All Children	29%	36%	31%
<u>Number of Facilities</u>			
With DSHS Children	1,857	4,567	6,424
As Percent of All Facilities	87%	66%	71%

Source: DSHS Division of Child Care and Early Learning
2004 Surveys of Child Care Centers and Family Homes

Regional Variation

The proportion of licensed facilities that served DSHS-subsidized children varied across the state (Figure 40). The proportion of centers that served subsidized children was lower in Region 4 than in other Regions and the proportion of family homes serving subsidized children in Regions 4 and 5 was lower than that in other Regions. While family home providers were less likely than centers to care for subsidized children, a higher proportion of the children in licensed family homes were subsidized than in centers (see Table 32).

Figure 40. Facilities Serving DSHS-Subsidized Children, 2004

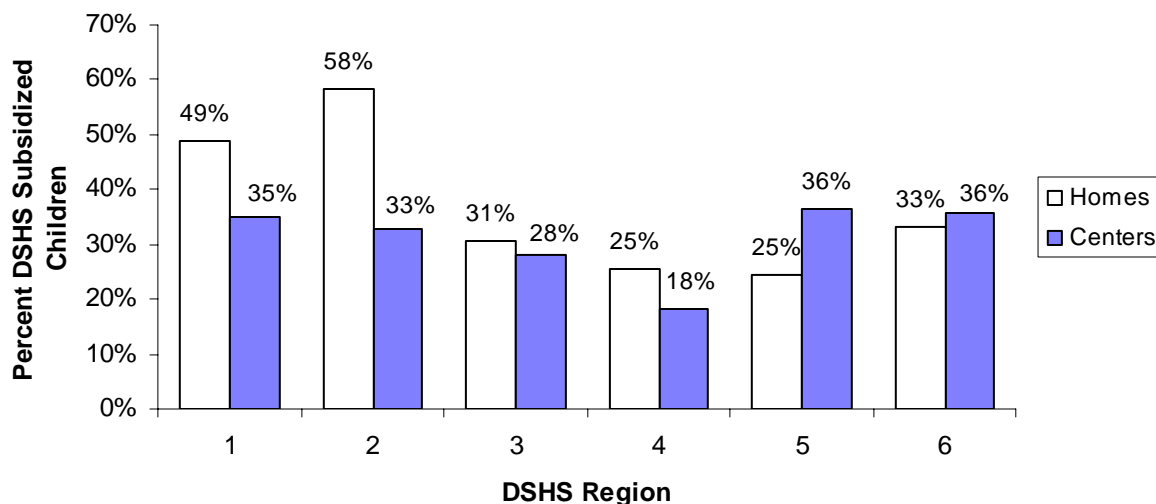


Source: DSHS Division of Child Care and Early Learning
2004 Surveys of Child Care Centers and Family Homes

Much of the difference between the proportion of centers and homes that served DSHS-subsidized children is attributable to the smaller size of family homes. Figure 41 displays the proportion of the licensed child care population subsidized by DSHS by Region and by type of provider. In Regions 1 and 2, subsidized children represented about 50 percent of all children in licensed family homes, a substantial increase from 1996 when about 20 percent of children in licensed family homes in Regions 1 and 2 were subsidized by DSHS.

As Figure 41 shows, except for Regions 5 and 6, the proportion of children in family homes that were subsidized by DSHS was higher than the proportion in centers that were subsidized. Since family homes serve less than seven children on average, a smaller percentage of family homes served subsidized children than the much larger child care centers with an average capacity of almost sixty children.

Figure 41. DSHS-Subsidized Children as Percent of All Children in Licensed Facilities, 2004

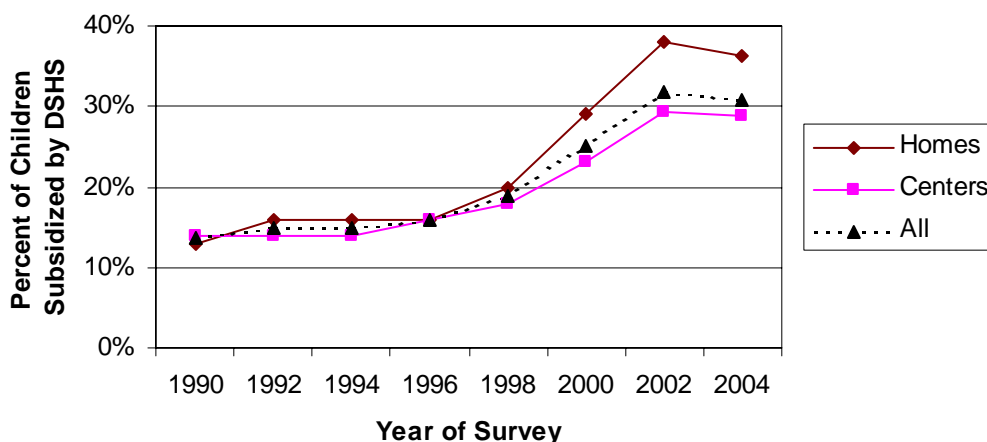


Source: DSHS Division of Child Care and Early Learning
2004 Surveys of Child Care Centers and Family Homes

Rise in Use of Subsidized Care

The proportion of children in licensed care whose care is subsidized by DSHS has risen dramatically since 1996. After remaining at about 15 percent from 1990 through 1996, the proportion of children in licensed care subsidized by DSHS rose to 19 percent in 1998, 25 percent in 2000, and 32 percent in 2002. The 2004 survey showed a leveling off of this trend with 31 percent of children in licensed care subsidized by DSHS.

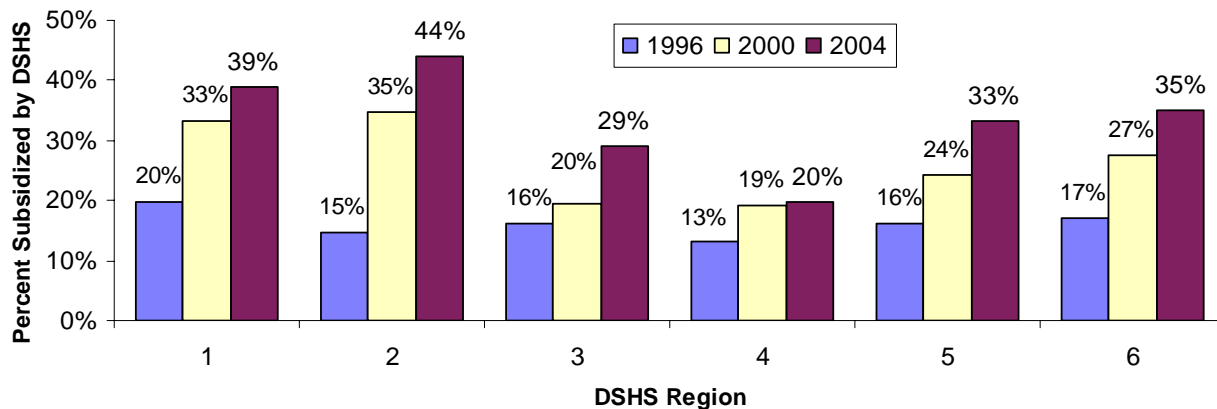
Figure 42. DSHS-Subsidized Children as Percent of All Children in Licensed Facilities, 1990- 2004



Source: DSHS Division of Child Care and Early Learning
1990, 1992, 1994, 1996, 1998, 2000, 2002 and 2004 Surveys of Child Care Centers and Family Homes

Figure 43 displays the proportion of children subsidized by DSHS Region. Since 1996 all DSHS Regions have experienced a rise in the proportion of children in child care that had their care subsidized by DSHS. The percent of children subsidized by DSHS rose 7 percentage points in Region 4 between 1996 and 2004. In most of the other five regions, the percent of children served by DSHS doubled in that eight year period.

**Figure 43. Percent of Children in Licensed Care Subsidized by DSHS
By DSHS Region, 1996, 2000 and 2004**



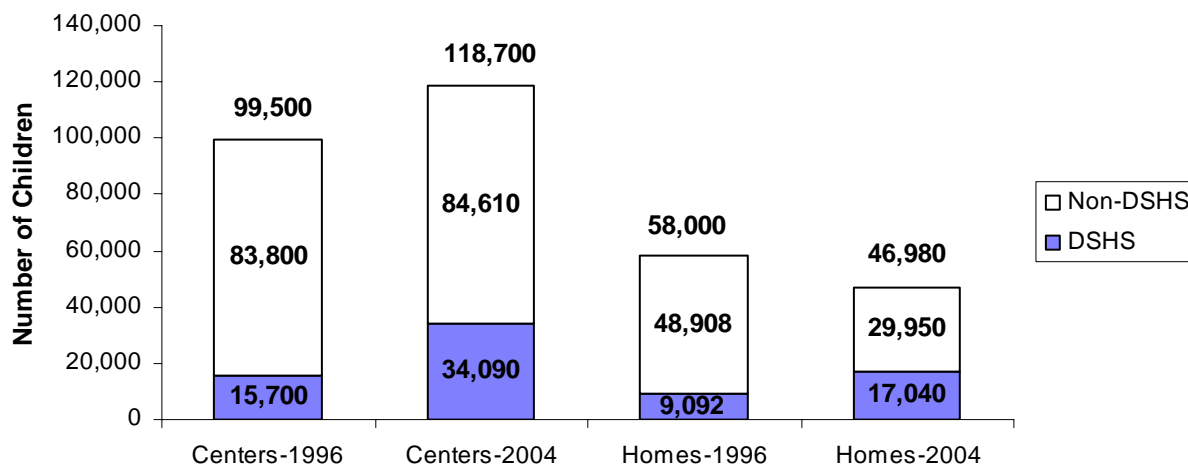
Source: DSHS Division of Child Care and Early Learning
1996, 2000 and 2004 Surveys of Child Care Centers and Family Homes

From 1996 to 2004, the number of children in licensed care rose from 157,500 in 1996 to 165,680 in 2004, a rise of five percent (see Figure 3 on page 11). During those same years, the number of children in licensed care subsidized by DSHS rose from 24,790 to 51,130, a rise of over 100 percent. The small rise in the overall number of children in licensed care in combination with the large rise in the number of DSHS subsidized children in licensed care has led to the rise in the proportion of children in licensed care subsidized by DSHS.

Both centers and family homes have experienced a rise in the proportion of children subsidized by DSHS. As shown in Figure 44 on the next page, the number of children in child care centers grew from 99,500 to 118,700 in the eight years from 1996 to 2004. The number of DSHS subsidized children in centers rose by 18,390 (from 15,700 to 34,090) and the number of children not subsidized by DSHS rose only 810 (from 83,800 to 84,610).

The situation for licensed family homes was quite different. From 1996 to 2004, the total number of children in licensed family homes declined from 58,000 to 46,980. The number of DSHS-subsidized children in licensed family homes almost doubled, going from 9,092 to 17,040, while the number of non-subsidized children declined 39 percent from 48,908 to 29,950. The decline in the number of non-subsidized children in licensed family homes in combination with a rise in the number of subsidized children attending licensed family homes has resulted in a rise in the proportion of children in licensed family homes that were subsidized by DSHS from 16 to 36 percent.

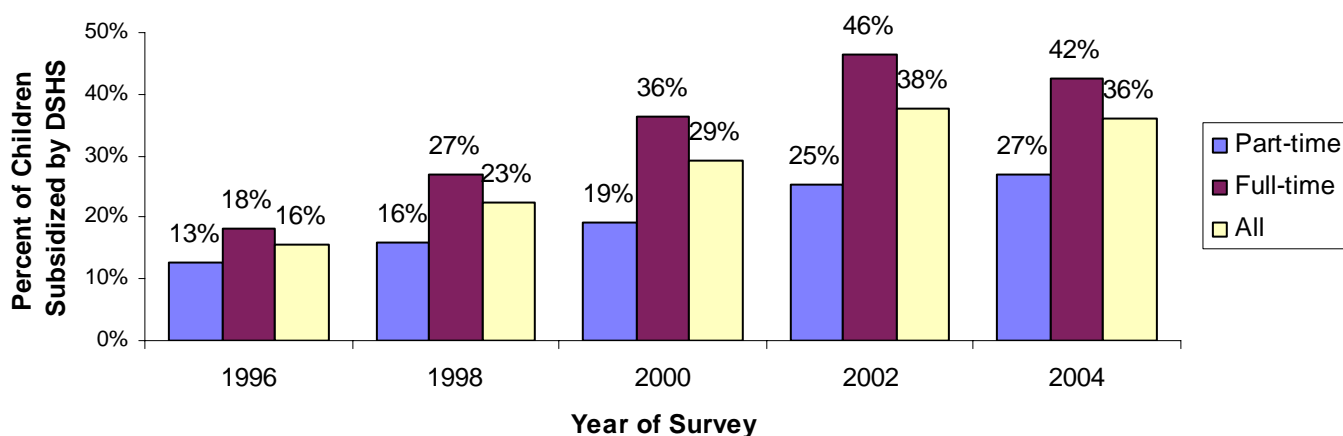
Figure 44. Number of Subsidized and Non-Subsidized Children in Centers and Licensed Homes, 1996 and 2004



Source: DSHS Division of Child Care and Early Learning
1996 and 2004 Surveys of Child Care Centers and Family Homes

Figure 45 provides information on the proportion of children in licensed family homes that are subsidized by the amount of time that a child is in care. A higher proportion of the children in full-time child care are subsidized by DSHS (42 percent) as compared to children in part-time care (27 percent). The rise in the percent of children subsidized by DSHS also has been greater from 1996 to 2004 among children in full-time child care than for children in part-time child care. While the percent of children in part-time child care subsidized by DSHS rose from 13 percent in 1996 to 27 percent in 2004, the percent of children in full-time child care subsidized by DSHS rose from 18 percent to 42 percent.

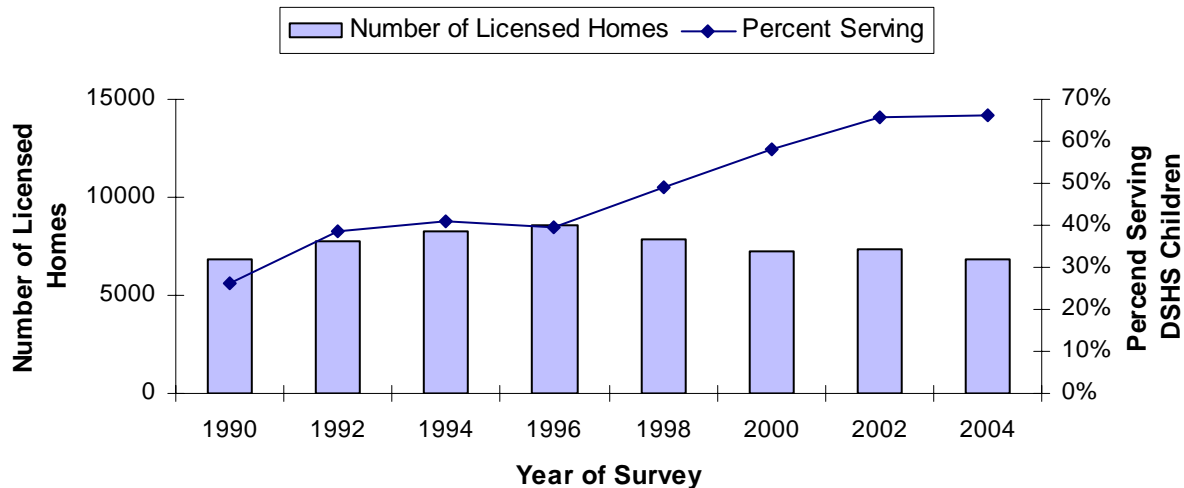
Figure 45. Percent of Full-Time and Part-Time Children Subsidized by DSHS, Children in Licensed Family Homes, 1996 - 2004



Source: DSHS Division of Child Care and Early Learning
1996, 1998, 2000, 2002 and 2004 Surveys of Family Homes

During the same period that the proportion of children in licensed homes that are subsidized grew markedly, the number of licensed family home providers fell from 8,600 in 1996 to 6,875 in 2004. While the number rose slightly between 2000 and 2002, the number of family homes in 2004 was down from 7,309 in 2002 (see Table 7 in Chapter 2). Figure 46 displays the number of licensed family homes in columns; the line shows the percent of homes caring for DSHS-subsidized children. As the number of licensed family homes has declined, those family homes that are licensed are increasingly caring for DSHS-subsidized children.

Figure 46. Number of Family Homes and Percent Caring for DSHS Children, 1990 - 2004



Source: DSHS Division of Child Care and Early Learning
1990, 1992, 1994, 1996, 1998, 2000, 2002 and 2004 Surveys of Family Homes

Last, we present information in Table 33 on changes by Region in the number of licensed family homes and the percent caring for DSHS-subsidized children. In 1996, almost half the family homes in Regions 1 and 2 cared for DSHS-subsidized children. Over the next eight years, those Regions experienced smaller changes in the number of licensed homes than the other four Regions. Regions 3 and 4, on the other hand, had the lowest proportion caring for DSHS-subsidized children in 1996 and they experienced large drops in the number of licensed homes between 1996 and 2004.

Table 33. Number of Licensed Family Homes and Percent Caring for DSHS Children, 1996 and 2004

Region	Number of Homes		Change Between	% Change Between	Percent Serving	
	1996	2004	1996 and 2004	1996 and 2004	1996	2004
1	1,336	1,124	-212	-16%	49%	79%
2	1,055	1,202	147	14%	49%	81%
3	1,465	1,092	-373	-25%	31%	62%
4	2,147	1,420	-727	-34%	30%	54%
5	1,150	933	-217	-19%	44%	51%
6	1,447	1,105	-342	-24%	45%	71%
Statewide	8,600	6,875	-1,725	-20%	40%	66%

Source: DSHS Division of Child Care and Early Learning
1996 and 2004 Surveys of Family Homes

Who Provides Care for DSHS-Subsidized Children?

In 2004, 87 percent of centers provided child care for DSHS-subsidized children. And of the centers not serving, 70 percent stated a willingness to enroll DSHS-subsidized children. The proportion of centers not willing to care for DSHS-subsidized children remains low (4 percent in 2004). Of centers providing care for DSHS families, 12 percent said that they limit the number of DSHS children that they will enroll. That is virtually unchanged since 2000. For centers with limits, the average limit was fourteen subsidized children. Centers in Region 4 were least likely to care for subsidized children and most apt to limit their number (Table 34). However, even in Region 4, 91 percent of centers were willing to enroll DSHS children.

Table 34. Centers Limiting Enrollment of DSHS-Subsidized Children

DSHS Region	Number of Centers	Percent Willing to Serve DSHS Children	Percent Serving DSHS Children	Percent Limiting DSHS Children ^[1]	Average Limit on DSHS Children ^[2]
1	333	99%	94%	8%	16
2	187	94%	81%	12%	15
3	302	99%	91%	11%	15
4	631	91%	74%	18%	9
5	337	99%	95%	10%	17
6	344	98%	95%	7%	23
Statewide	2,134	96%	87%	12%	14

[1] For centers serving DSHS children.

[2] For centers with a limit on number of DSHS children served.

Source: DSHS Division of Child Care and Early Learning
2004 Survey of Child Care Centers

In the 2004 survey we asked licensed family home providers if they were willing to care for DSHS-subsidized children and if they had cared for DSHS subsidized children in the last week. The percent of family home providers that either served or said they were willing to provide care to subsidized families remained the same between 2002 and 2004, at 94 percent (see Table 35). Sixty-six percent of family providers actually cared for subsidized children in 2004, the same as in 2002.

Table 35. Family Homes Willing to Serve DSHS-Subsidized Children

DSHS Region	Willing to Take DSHS Children	Serving DSHS Children
1	97%	79%
2	97%	81%
3	96%	62%
4	92%	54%
5	84%	51%
6	96%	71%
Statewide	94%	66%

Source: DSHS Division of Child Care and Early Learning
2004 Survey of Family Homes

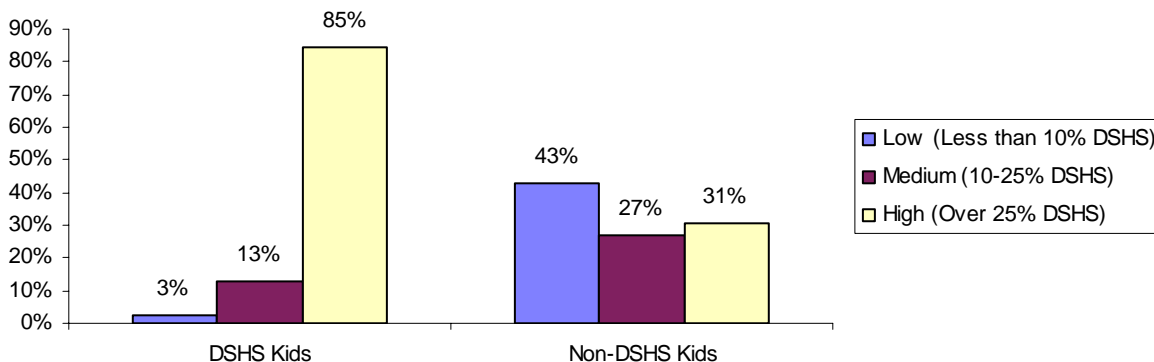
Characteristics of Centers and Homes Providing Care for DSHS-Subsidized Children

Distribution of DSHS Subsidized Children in Centers

While most child care centers served at least one DSHS-subsidized child, the proportion of children in a center that were subsidized by DSHS varied widely. The proportion of children that are subsidized by DSHS can be used to categorize centers. According to the 2004 survey, 28 percent of centers had less than 10 percent of their children subsidized by DSHS ("Low"). At the other end, 50 percent of centers had more than 25 percent of their children subsidized by DSHS ("High"). The remaining 22 percent of centers had between 10 and 25 percent of their children subsidized by DSHS ("Medium"). In the six years from 1998 to 2004 the proportion of centers with more than 25 percent of their children subsidized ("High") rose from 31 percent in 1998 to 50 percent in 2004.

Figure 47 displays the percent of DSHS-subsidized children that attended centers with differing concentrations of DSHS-subsidized children (Low/Medium/High). While 28 percent of centers had fewer than 10 percent of their children subsidized by DSHS, only 3 percent of DSHS-subsidized children attended such centers. On the other hand, more than 40 percent of all children that were not subsidized attended such centers. At the other extreme, 85 percent of DSHS-subsidized children who attended child care centers went to centers where over 25 percent of the children were subsidized by DSHS, up from 77 percent in 2000.

**Figure 47. Distribution of Children by Receipt of Subsidies,
According to the Proportion in the Center Subsidized by DSHS, 2004**



Source: DSHS Division of Child Care and Early Learning
2004 Survey of Child Care Centers

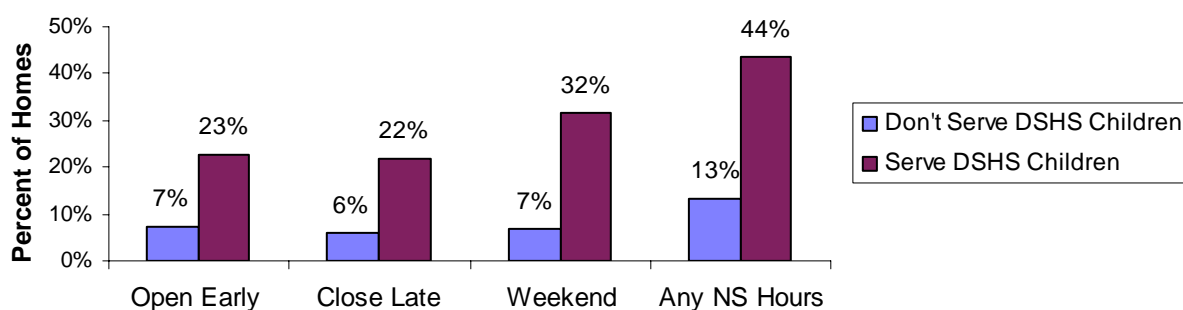
Non-Standard Hours Among Providers Serving DSHS Children

Chapter 4 presented information on the opening and closing times of licensed providers. The relationship between the hours that a provider cares for children and how many DSHS children they serve is examined in this section. If a provider cares for children before 6 in the morning they are categorized as "Open Early". If a provider remains open after 6 in the evening, then they "Close Late". If they are open on the weekend, they are "Weekend". Last, if a provider opens

before 6 am, closes after 6 pm, or has weekend hours, then they have non-standard hours (“Any NS Hours”).

Figure 48 displays the proportion of licensed family homes that had non-standard hours by whether or not they cared for any DSHS-subsidized children. Home providers that cared for DSHS children were much more likely than home providers that did not care for DSHS-subsidized children to open early in the morning, close late in the evening, or be open on the weekend. Overall, 44 percent of family homes providers that cared for DSHS-subsidized children had non-standard hours. On the other hand, only 13 percent of homes that did not care for DSHS-subsidized children had non-standard hours.

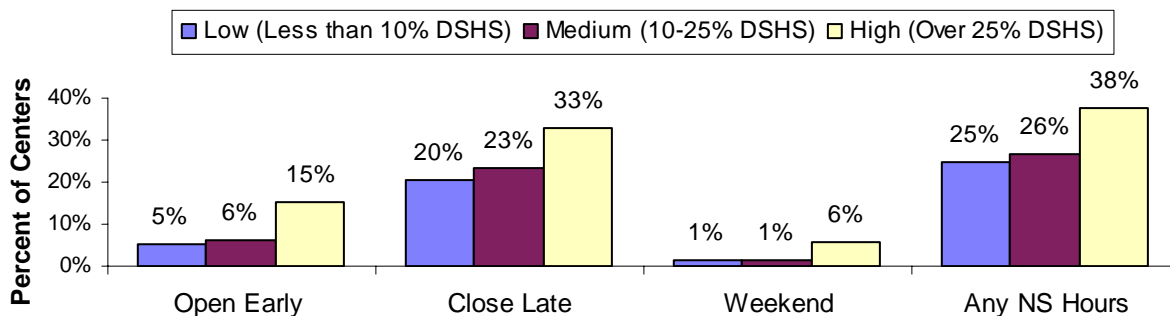
Figure 48. Percent of Family Homes with Non-Standard Hours, by DSHS Status, 2004



Source: DSHS Division of Child Care and Early Learning
2004 Survey of Family Homes

The relationship between non-standard hours and the percent of children subsidized by DSHS was examined for centers. Figure 49 displays the proportion of centers with non-standard hours by the percent of children in the center subsidized by DSHS. Centers with more than 25 percent of their children subsidized by DSHS were much more likely to have non-standard hours—to open early or close late—but even these centers were unlikely to be open on the weekend.

Figure 49. Percent of Centers with Non-Standard Hours, by DSHS Status, 2004



Source: DSHS Division of Child Care and Early Learning
2004 Survey of Child Care Centers

Effects of DSHS Maximum Rates

DSHS pays providers their usual and customary rates, up to the DSHS maximum rate. DSHS tries to change their maximum rates to reflect changes in market rates at least every two years. At the time of the survey, DSHS maximum rates were set at the 58th percentile of rates observed in the 2000 survey. It is reasonable to assume that providers' decisions to accept DSHS-subsided children will depend partly on whether or not they will receive their customary rate for care. If subsidy rates are too low, parents using subsidies may be limited to the less expensive providers.

Among centers caring for full-time preschool children, the average rate for such care was less in centers that served DSHS-subsidized children than in those centers that did not (Table 36). The statewide difference was driven by Region 4, where 38 percent of the centers not serving DSHS children were located.

**Table 36. Full-time Rates for Preschool Children,
Difference Between Centers Serving DSHS Children and Those Not Serving, 2004**

Region	Serving DSHS Children	
	Yes	No
1	\$493	*
2	\$472	\$535
3	\$608	\$648
4	\$708	\$828
5	\$538	\$553
6	\$533	\$588
Statewide	\$588	\$748

* Too few centers to report.

Source: DSHS Division of Child Care and Early Learning
2004 Survey of Child Care Centers

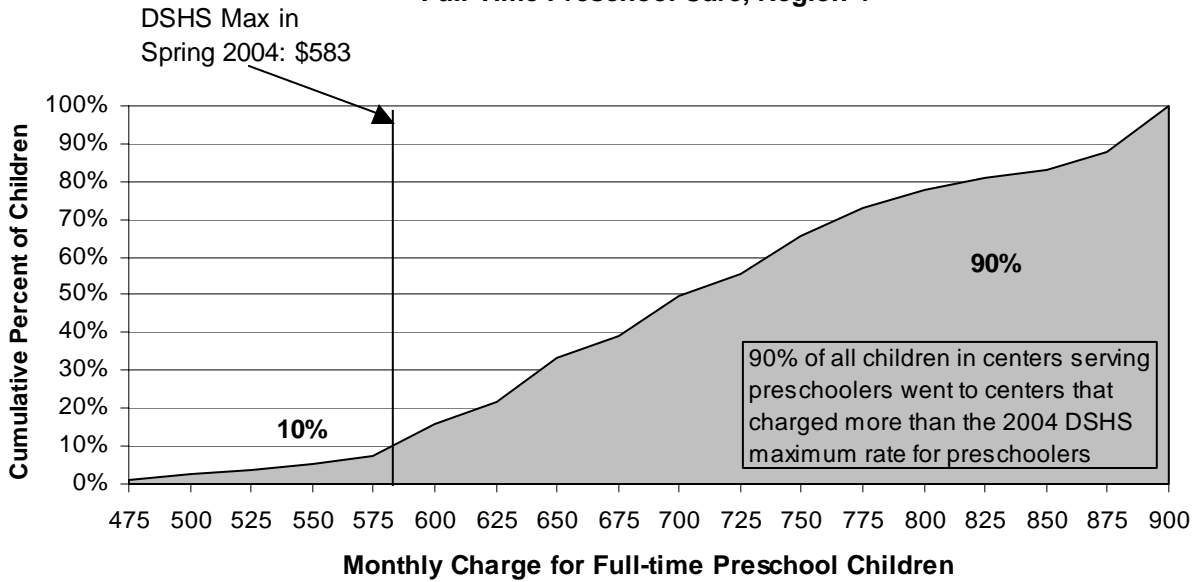
The higher rate charged by providers who did not care for subsidized children when compared to providers who did care for subsidized children suggests that DSHS subsidy rates may deter some providers from accepting DSHS subsidized children. Other factors may also have contributed to the observed differences in centers.

Region 4 Centers as an Example

This section examines the willingness of providers in Region 4 to serve DSHS children even when their private pay rates are higher than the DSHS subsidy rates. We limited this analysis to centers that served full-time preschool-age children.

At the time of the 2004 survey, the maximum rate that DSHS would pay for preschoolers in center care was \$583 a month in Region 4. Figure 50 shows the percent of children attending centers by the amount that the center charged for full-time preschool. Looking at all children in centers providing care for preschoolers in Region 4, only 10 percent received care in centers charging the DSHS rate of \$583 or less for full-time preschool. About half went to providers charging \$700 or less.

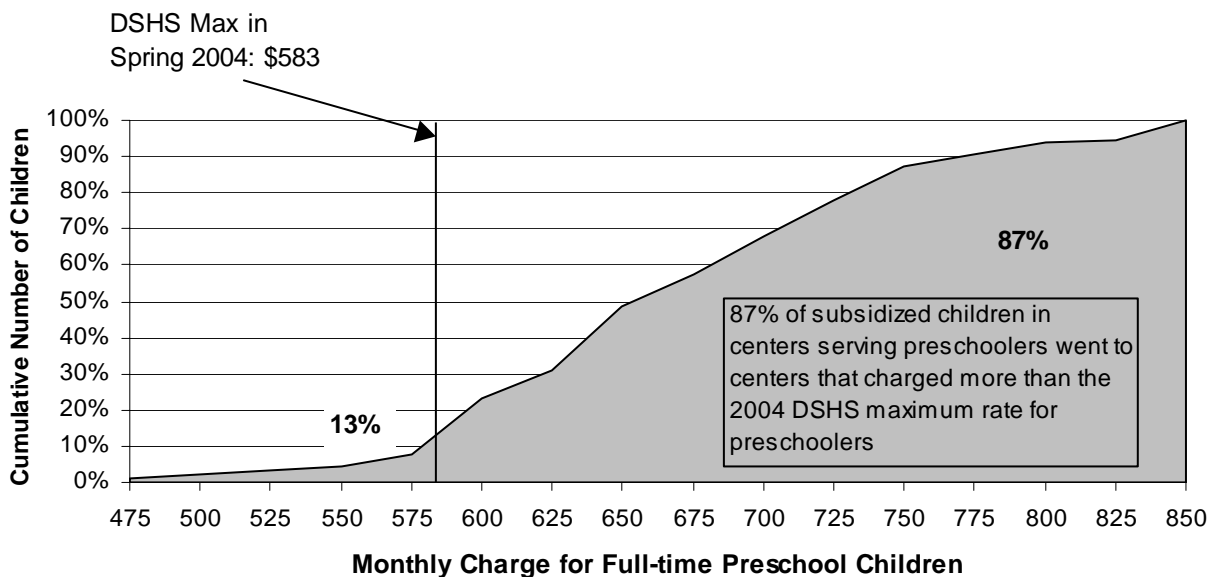
Figure 50. Percent of Children in Centers by Monthly Charges for Full-Time Preschool Care, Region 4



Source: DSHS Division of Child Care and Early Learning
2004 Survey of Child Care Centers

Focusing on DSHS-subsidized children, 87 percent went to centers with private pay preschool rates greater than the DSHS maximum for preschool children at the time of the 2004 survey (Figure 51). While DSHS-subsidized children were slightly less likely to attend centers with preschool rates above the DSHS maximum than children in general (87 percent versus 90 percent), the vast majority of DSHS children attended centers with preschool rates above the DSHS maximum. About half of all DSHS-subsidized children went to centers charging \$650 or more for preschoolers, almost seventy dollars more than the DSHS rate for preschool.

Figure 51. Percent of DSHS-Subsidized Children in Centers by Monthly Charge for Full-Time Preschool Care, Region 4



Source: DSHS Division of Child Care and Early Learning
2004 Survey of Child Care Centers

Access to Licensed Care for Families Using Subsidies

The prior section shows that many providers will accept DSHS subsidies even when the rate that they charge private pay families is higher than the DSHS rate. Families seeking to use subsidized child care thus have access to many slots in centers with rates above the DSHS subsidy rates. In this section we explore the question of how much access to the licensed child care market is available to families using child care subsidies.

To some extent families seeking subsidized care have access to any provider willing to serve DSHS children. As we have shown in this chapter, most providers (96 percent of centers and 94 percent of homes) are willing to serve DSHS subsidized children and few have limits on the number of subsidized children that they are willing to serve. But providers with rates above the DSHS maximum can be expected to prefer to fill their slots with private pay families rather than DSHS subsidized children.

Chapter 5 showed that the DSHS rates were equal to or greater than that paid by 25 percent of children in full-time center care and 31 percent of private pay children in full-time care in licensed family homes. This section broadens that consideration and estimates the amount of access that families using subsidized child care have to the licensed child care market. This estimate is limited to full-time children and uses the following logic: (1) subsidized families have access to all the slots currently filled by DSHS children; and (2) subsidized families have access to all slots for providers charging the DSHS rate or less and willing to serve DSHS children. Slightly different strategies were used for licensed family homes and child care centers.

For licensed family homes, information was collected on the pay status and payments of each individual child. As shown in Figure 45 and Table 37 below, 42 percent of all full-time children in licensed family homes are subsidized by DSHS. In addition, 17 percent of all children that are not subsidized by DSHS pay their provider less than the DSHS rate and go to a provider willing to serve DSHS children. Overall, families seeking subsidized child care in a licensed family home setting are estimated to have access to almost 60 percent of all full-time slots. In addition, DSHS children may have access to many of the vacancies in licensed family homes.

In Chapter 5 we estimated that DSHS rates were equal to or greater than the rates charged 31 percent of the children privately paying for care in licensed family homes. Looking at the information on the private pay children in licensed care we see that almost 31 percent ($4,782/(4,782+11,330)$ or 30 percent) of all private pay children in full-time care go to providers that charge at or below the DSHS rates *and* are willing to care for DSHS children. Yet, since DSHS children constitute such a large portion of the number of children in full-time care in licensed care, families searching for care should have access to almost 60 percent of all full-time licensed slots in family homes.

Table 37. Licensed Family Homes: Access to Licensed Care Market, 2004

	Subsidized	Private Pay at or Below DSHS Rates and Willing to Serve	Private Pay Above DSHS Rates or Not Willing to Serve	Percent Access
Infants	982	432	947	60%
Toddlers	2,903	1,145	2,873	58%
Preschool	5,791	2,666	6,558	56%
Schoolage	2,071	540	951	73%
Total:	11,747	4,782	11,330	
Percent of Total:	42%	17%	41%	59%

Source: DSHS Division of Child Care and Early Learning
2004 Survey of Family Homes

For centers, Washington State sets subsidy rates with data from those centers that have less than 85 percent of their children in the subsidy program. In calculating estimates for the access that families have to center care for their children, we assumed that the percent subsidized was not age sensitive, in other words, if 30 percent of all children in a center were subsidized by DSHS, then we assumed that 30 percent of all children in each age category were subsidized by DSHS.

Table 38 presents information on the estimate of the access that families seeking subsidized child care in centers have for their children. Approximately 34 percent of the children who attend centers full-time are subsidized by DSHS. Of the full-time children that are not subsidized by DSHS, approximately an additional 16 percent go to providers that charge at or below DSHS rates and are willing to serve DSHS children. Thus, families seeking subsidized child care for their children in a child care setting should have access to half of all full-time center slots. In addition, an estimated 93 percent of center vacancies are available to families using subsidies (taking into account the centers willingness to care for subsidized children and the limit, if any, that they place on the number of subsidized children that they will serve).

Table 38. Centers: Access to Licensed Care Market, 2004

	Subsidized	Private Pay at or Below DSHS Rates and Willing to Serve	Private Pay Above DSHS Rates or Not Willing to Serve	Percent Access
Infants	1,648	453	2,104	50%
Toddlers	5,437	1,617	7,106	50%
Preschool	10,781	3,135	19,055	42%
Schoolage	4,600	5,637	5,006	67%
Total:	22,466	10,843	33,271	
Percent of Total:	34%	16%	50%	50%

Source: DSHS Division of Child Care and Early Learning
2004 Survey of Child Care Centers

